

Date of Hearing: June 21, 2022

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT, AND THE ECONOMY

Sabrina Cervantes, Chair

SB 1104 (Gonzalez) – As Amended June 14, 2022

SENATE VOTE: 35-0

SUBJECT: Governor's Office of Business and Economic Development: Office of Freight

POLICY FRAME: California's 11 major commercial seaports move more than 40% of the containerized cargo entering the US, representing nearly 30% of all US exports. This cargo is responsible for more than 1 million California jobs and 3 million jobs nationally. Collectively, the California seaports are the most consequential system of ports in the nation.

Seaports are, however, only one component of the state's freight system. The production and delivery of products is a multifaceted and highly integrated logistical network of specialized supply chains comprising businesses, skilled workers, and transportation facilities and infrastructure.

California's simultaneous expansion out of the COVID-19-induced recession and transition to a zero-emission economy has resulted in increased port congestion and supply chain disruptions. While some conditions that led to the disruption of global supply chains in 2021 have dissipated, others remain, and new issues have arisen.

SB 1104 establishes the Office of Freight within the Governor's Office of Business and Economic Development (GO-Biz) to serve as the coordinating entity to steer the growth, competitiveness, and sustainability of freight and ports across the state, and shall promote and assess the continued economic vitality and sustainability of the freight sector.

The analysis includes information on the most recent supply chain disruptions, California's trade-based economy, and GO-Biz. There is no known opposition to this measure. The Assembly Rules Committee referred this measure to the Assembly Committee on Jobs and the Assembly Committee on Transportation. Should this measure pass this committee, it will be referred to the Assembly Committee on Transportation for further policy review. There is no known opposition to this bill.

SUMMARY: SB 1104 establishes the Office of Freight within GO-Biz to serve as the coordinating entity to steer the growth, competitiveness, and sustainability of freight and ports across the state, as specified. Specifically, **this bill:**

- 1) Establishes the Office of Freight to serve as the coordinating entity to steer the growth, competitiveness, and sustainability for freight and ports across the state.
 - a) Requires the Governor to appoint a director of the Office of Freight who is tasked with overseeing the Office of Freight, facilitate collaboration along the supply chain, and advocate for the interests of business and industry in the freight sector.
 - b) Requires the director of the Office of Freight to have experience in commerce, trade, and cross-cutting supply chain management.

- 2) Tasks the Office of Freight with promoting and assessing the continued economic vitality and sustainability of the freight sector.
 - a) Requires the Office of Freight, the California Transportation Commission, the Transportation Agency, the Department of Transportation, and the State Air Resources Board to meet as necessary to address and discuss ongoing freight and supply chain issues.
 - b) Authorizes the Office of Freight, in consultation with the Director of GO-Biz, to establish and convene one or more stakeholder advisory groups to help inform the work of the Office of Freight in implementing its mission and duties.
 - c) Defines the “freight sector” to mean all transportation-based and transportation-dependent enterprises involved in the supply chain from the point of origin to the point of consumption, including ports, rail, freight corridors, and warehouses and distribution centers.
 - d) Defines “supply chain” to mean participants in the economic supply chain of this state, including, but not limited to, seaports, airports, land ports of entry, air carriers, motor carriers, ocean carriers, rail carriers, marine terminals, rail terminals, trucking terminals, warehouses, the agriculture industry, manufacturers, and retailers.
- 3) Requires the Office of Freight, in consultation with the State Air Resources Board, the California Transportation Commission, Department of Transportation, and the California Transportation Agency, to prepare an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability for the state’s freight sector. The assessment is required to be submitted to the Legislature on or before December 31, 2024, and updated at least once every five years thereafter, as specified.
- 4) Requires the Office of Freight to do all the following in developing the assessment:
 - a) Consult with a representative cross section of public and private sector freight stakeholders, including representatives of ports, shippers, carriers, freight-related associations, supply chain businesses, the freight industry workforce, the Public Utilities Commission, the State Lands Commission, academic and research institutions, local air pollution control districts, environmental, safety, and community organizations and representatives from communities that are adjacent to, or environmentally impacted by, the freight sector.
 - b) Consult with the Legislature.
 - c) Use the most current data reasonably available to ensure the assessment reflects current market conditions.
 - d) Consider relevant data and outcomes from the Clean Freight Corridor Efficiency Assessment.
- 5) Requires the assessment to do all of the following:
 - a) Evaluate the resiliency of the state’s freight sector, including assessing the ongoing needs to address supply chain congestion outlined in Governor Newsom’s [Executive Order No. N-19-21](#).
 - b) Expand on the California Sustainable Freight Action Plan developed pursuant to Governor Brown’s [Executive Order No. B-32-15](#), and evaluate the role and capacity of the freight sector in advancing the zero-emission goals set forth in Governor Newsom’s [Executive Order No. N-79-20](#).
 - c) Determine the economic competitiveness of all sectors of freight movement along the supply chain.

- i) Requires the economic competitiveness assessment to include an evaluation of the state's supply chain competitiveness, international trade and exports, manufacturing, warehousing, distribution centers, capacity to expand, defense, and workforce development, to the extent that each of these may impact businesses, workers, and communities as they relate to the freight industry.
 - ii) Defines "economic competitiveness" to mean the ability of the California freight sector to successfully compete with freight sectors in other states as measured by using existing comparable metrics, to increase the productivity of freight and related sectors, and to contribute to the growth of the state's economy. Economic competitiveness is affected by policies, institutions, and investments that influence the freight sector's productivity.
 - d) Identify metrics and baselines from which to measure the effectiveness of the goals, recommendations, and actions proposed in the assessment in supporting financial performance, market share performance, workforce development, positive labor market effects, emerging technologies, including logistics, and overall short- and long-term economic performance of the freight sector.
 - e) Assess the relative competitiveness and resiliency of different sectors that comprise the supply chain, the impacts of trends in the economy across the supply chain, and how economic competitiveness for businesses and the freight sector can be supported under state and federal climate and air pollution policies.
 - f) Identify goals to increase economic competitiveness and strengthen resilience to economic downturns and the effects of climate change.
 - g) Determine a process to track, at least annually, progress being made to reach the goals and implement the recommendations and other actions proposed in the assessment. This process shall include a mechanism for modifying those goals and actions to address immediate and emerging issues, stay-at-home orders, or other crises that may impact the competitiveness of the freight sector.
 - h) Identify ongoing strategies the state is employing to address freight mobility issues, such as congestion, truck bottlenecks, inefficiencies, and a deficit of workforce, and prioritize and recommend to the California Transportation Commission and the Transportation Agency complementary or additional strategies to reduce these mobility issues.
 - i) Identify challenges the California freight sector faces in meeting the state's emission reduction goals, quantify the costs associated with meeting those emission reduction goals, and prioritize and recommend strategies the state can use to address these challenges.
 - j) Include a data sheet indicating the source of the data and the time period that the data reflects.
 - k) Use the assessment to inform the development of, and recommended actions included within, the strategy for international trade and investment, prepared by GO-Biz, as specified.
- 6) Requires the State Freight Plan prepared by the Transportation Agency to include the findings in the assessment prepared by the Office of Freight, beginning with the state freight plan due on or before December 31, 2029. For the state freight plan due December 31, 2024, the findings shall be incorporated as an addendum.

EXISTING LAW:

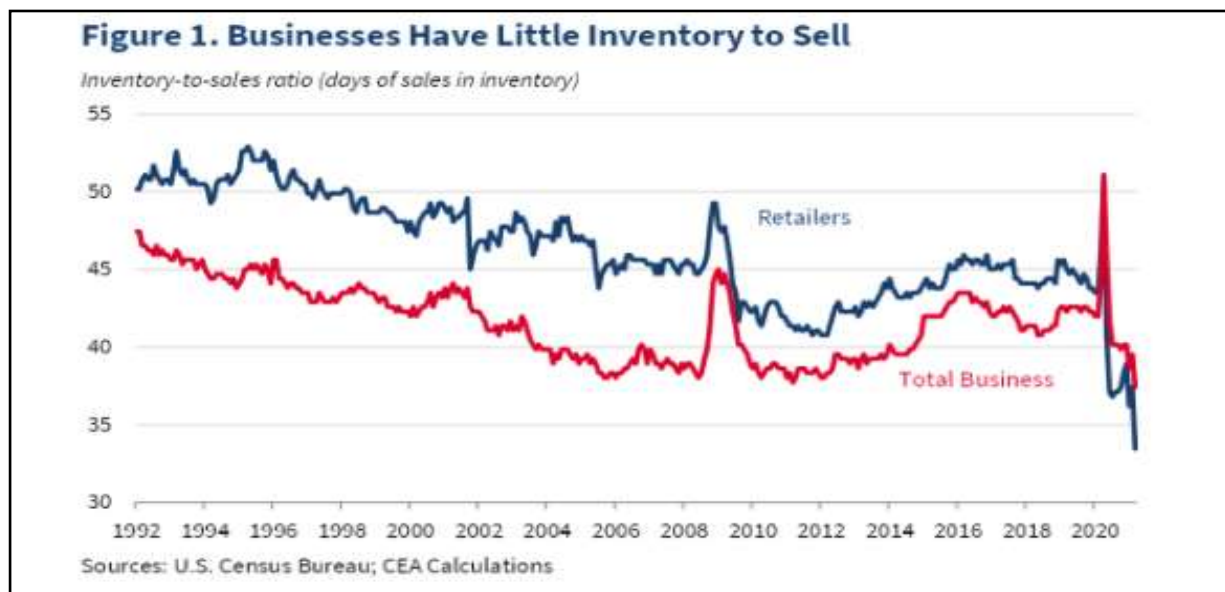
- 1) **GO-Biz:** Establishes GO-Biz to serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, international trade, and economic growth. Among other duties, GO-Biz is authorized to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs to advance statewide economic goals, respond to emerging economic problems, and ensure that all state policies and programs conform to the state's economic and business development goals.
- 2) **Trade Authority:** Specifies that GO-Biz serves as the state's principal entity for issues relating to international trade and foreign investment, excluding agricultural issues.
 - a) Requires the preparation and updating of a strategy for international trade and investment that, at a minimum, includes all of the following:
 - i) Policy goals, objectives, and recommendations that will comprise a comprehensive international trade and investment program for the state.
 - ii) Measurable outcomes and timelines for the goals, objectives, and actions for the international trade and investment program.
 - iii) Identification of impediments to achieving goals and objectives and funding options for recommended actions.
 - iv) Identification of key stakeholder partnerships that will be used in implementing the strategy.
 - b) Requires the strategy to be based on current and emerging market conditions and the needs of investors, businesses, and workers to be competitive in global markets.
 - c) Requires the strategy to identify the process GO-Biz will use to evaluate on an ongoing basis, as appropriate, the current workforce, infrastructure, research and development, and other needs of small and large firms, including, but not limited to, highways, logistic hubs, and rail that link businesses with the state's ports of entry and foreign and domestic markets.
 - d) Authorizes the strategy, to the extent relevant and feasible, be based on existing studies and reports, including, but not limited to, the Goods Movement Action Plan, the California Strategic Workforce Development Plan, the California Export of Recycled Materials Report, the California Five-Year Infrastructure Plan, and the Environmental Goals and Policy Report.
- 3) **State Freight Plan:** Requires the California State Transportation Agency (CalSTA) to prepare a state freight plan which can serve as a comprehensive plan to govern the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. The state freight plan is required, among other things, to include an inventory of facilities with freight mobility issues, such as truck bottlenecks within California, and a description of the strategies California is employing to address those freight mobility issues.
- 4) **Clean Freight Corridor Efficiency Assessment:** Requires the California Transportation Commission, in coordination with the State Air Resources Board, Public Utilities Commission, State Energy Resources Conservation and Development Commission, and GO-Biz to develop the Clean Freight Corridor Efficiency Assessment.
 - a) Specifies the goal of the assessment is to identify freight corridors, or segments of freight corridors, and infrastructure needed to support the deployment of zero-emission medium- and heavy-duty vehicles.

- b) Requires the California Transportation Commission to consider the potential for emission-reductions, infrastructure needed for charging and alternative fueling, including parking facilities, congestion reduction, improved road safety and resiliency, and impacts on neighboring communities.
- c) Requires the California Transportation Commission to consult with the Department of Transportation, local governments, metropolitan planning organizations, regional transportation planning agencies, and other stakeholders, including, but not limited to, the freight industry, stakeholders from low-income and disadvantaged communities, environmental organizations, public health representatives, and academia, to develop the assessment.
- d) Requires the California Transportation Commission to consult with the State Energy Commission pertaining to its work assessing deployment of vehicle charging stations, as specified.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) **COVID-19 and Supply Chain Disruptions Explained:** To move forward, it is important to understand how pre-pandemic deficits affected California consumers and producers during the pandemic.



At the beginning of the pandemic, businesses across the US held billions in unsold goods as consumers abruptly reduced purchasing of new products. This caused the inventory-to-sales ratios to spike for nonperishable goods. Over time, these businesses could liquidate inventories, and many elected not to maintain pre-pandemic inventory levels. Pandemic-related worker shortages globally also resulted in disruption and inefficiencies within the production and distribution sectors.

As the most significant economic restrictions due to the COVID-19 pandemic began to lift in mid-2021, consumers in the US started making historical levels of purchases. Low inventories, workforce shortages, and rapidly rising wholesale and retail demands created cascading issues all along supply chains.

Figure 1 shows that the retail sector's inventory-to-sales ratio was especially short. According to a Small Business Pulse Survey (May 31 to June 6, 2021) administered by the US Census Bureau, 36% of small business respondents reported delays with domestic suppliers, with delays concentrated in the manufacturing, construction, and trade sectors.

Another impact of the shortages, as reported by the White House, has been abrupt price increases. Between May 2020 and May 2021, prices of commodities tracked within the Producer Price Index rose by 19%, the largest year-over-year increase since 1974. In May 2022, the unadjusted Producer Price Index for goods and services rose 0.8% from the prior month and 10.8% year-over (*see sidebar on for more details*).

In addition to the direct impacts on retail and lack of component parts for manufacturers, supply chain disruptions also limited business activity in other sectors. For example, the National Association of Homebuilders reported that shortages of key materials such as framing lumber, wallboard, and roofing impacted many homebuilders, which results in homebuilders delaying new construction.

The production and delivery of products is an integrated system – disruptions at any point in the system impact the overall system's capacity. According to data compiled by Sea-Intelligence, an international research firm, nearly 13% of the world's cargo shipping capacity was tied up by delays during the fall of 2021. Below is a list of key features to supply chain disruptions that impacted California:

- COVID-19 shut down manufacturing and port operations in key trading partners, including Southeast Asia.
- Even as the Ports of Los Angeles and Long Beach processed record levels of cargo (throughput), dozens of ships remained waiting to be offloaded.
- There was a shortage of truckers to pick up the unloaded containers at the ports. In September 2021, the LA Port estimated that 30% of truck appointments were not filled.
- Warehouses in Southern California were full, resulting in containers on truck chassis sitting for up to a week waiting to be unloaded. It was reported that warehouse capacity for offloading goods was down to 2% in Los Angeles and 4% in the Inland Empire.
- The lack of warehouse space resulted in:
 - Trucks entering and parking/idling in residential or other nonindustrial areas of cities.
 - A shortage of truck chassis on which to place new containers for distribution.
- While alternative temporary sites to offload products were pursued, some cities in Southern California refused to permit temporary offloading sites.
- Empty containers stacked up at ports and nearby sites, competing with space to offload full containers.

Six months into 2022, some of these factors are resolving, while others like the lack of chasses and trailers continue. Another example of a continuing challenge is work stoppages attributed to China's continued reliance on a "Zero COVID" policy, resulting in strict lockdowns across a growing number of economic regions, disrupting manufacturing and the delivery of parts, components, and finished products to foreign markets. New supply chain issues have also arisen including the escalation of the Ukraine-Russia war and failures in the domestic production of baby formula. Sanctions on Russia in

response to its unprovoked attack on Ukraine are driving energy costs higher globally, including in the US.

- 2) **Federal and State Actions to Address Supply Chain Disruptions:** The earliest actions by the federal and state governments focused on addressing healthcare-related shortages, which later expanded to component parts to manufacturing, including semiconductors. As noted in the earlier comments, eventually, supply chain disruptions impacted the delivery of domestic goods to consumers. Below is a timeline of selected actions by the federal and state governments to assess and address these disruptions.
- **February 2021** – President Biden signs E.O. 14017, directing a “whole-of-government approach” to assessing vulnerabilities in and strengthening the resilience of critical supply chains.
 - **June 2021** – The Supply Chain Disruptions Task Force [releases 100 day reviews and recommendations](#) to address the short-term disruption of the delivery of goods.
 - The review included four key industrial products: *semiconductor manufacturing* and advanced packaging; *large capacity batteries*, like those for electric vehicles; *critical minerals and materials*; and *pharmaceuticals* and active pharmaceutical ingredients.
 - The review found that COVID-19 amplified the impacts of decades of underinvestment and public policy choices, which have resulted in fragile supply chains across a range of sectors and products.
 - The supply chain review reinforced the need for transformative investments to rebuild US manufacturing capacity in key sectors and value chains. Among other recommendations, the review called for establishing a new *\$50 billion Supply Chain Resilience Program* at the US Department of Commerce to “monitor, analyze, and forecast supply chain vulnerabilities and partner with industry, labor, and other stakeholders to strengthen resilience.”
 - The second part of E.O. 14017 is due in February 2022, which includes the review of six “critical industrial base sectors that underpin America’s economic and national security,” which includes the defense industrial base, public health and biological preparedness industrial base, information and communications technology industrial base, energy sector industrial base, transportation industrial base, and supply chains for production of agricultural commodities and food products.
 - **August 2021** – Whitehouse names a senior-level “Port Envoy” to the Supply Chain Disruptions Task Force
 - **September 2021** – The Center for International Trade and Transportation at California State University at Long Beach partners with GO-Biz, CalSTA, and the Port of Long Beach to launch the [California Supply Chain SUCCESS Initiative](#) (Initiative). The Initiative used a solutions-based approach to re-engage a broad set of stakeholders with historical differences. According to a summary of the Initiative’s outcomes: “Not only was the Initiative meant to provide a broader framework for dialogue, but also to emphasize the need for individual stakeholders to identify what they could do as independent actors to add value to the supply chain with or without government facilitation.”
 - **October 13, 2021** – The White House [announces actions](#) aimed at relieving congestion in the supply chain.

- This included a plan for the Port of Los Angeles to operate 24/7 and major US retailers to expand working hours. In addition, a virtual [roundtable](#) was held between the federal and state governments, the LA/LB Ports, labor, and the business community to discuss current logistic challenges.
- In addition, the Whitehouse reported working with major retailers and domestic shippers, including UPS and Walmart, to increase hours of operation.
- **October 20, 2021** - Governor Newsom issues [Executive Order N-19-21](#) (EO N-19-21), which was the culmination of the state's extended dialogue with businesses, freight operators, labor, and the White House and its federal Supply Chain Disruptions Task Force. According to the announcement, the Governor particularly singles out GO-Biz and its work of engaging with stakeholders on key challenges and identification of short-term and long-term solutions to supply chain disruptions. Among other directives, the EO stated:
 - The Governor's Office of Business and Economic Development shall identify non-state sites, including private, locally owned, and federally owned parcels, that could be available to address short-term storage needs to address the supply and distribution chain crisis.
 - The Department of General Services shall complete its review of state-owned property in proximity to impacted ports that may be made available to address short-term storage needs to address the supply and distribution chain crisis by no later than December 15, 2021.
 - The Department of General Services shall collaborate with other state agencies to expedite leasing to store cargo containers on state-owned parcels.
 - By December 31, 2021, the California Labor and Workforce Development Agency shall take all necessary actions to constitute and announce the membership of the industry panel required by AB 639 (Cervantes). The Secretary of Labor shall convene the panel for its first meeting by March 1, 2022.
 - The Department of Finance shall work with state agencies and departments to develop longer-term proposals that support port operations and goods movement for consideration in the January 10 Governor's Budget. Proposals may include port and transportation infrastructure improvements, electrification of the goods movement system from port to delivery, workforce development, and other actions to support goods movement.
- **October 28, 2021** – US Department of Transportation announces a [strategic partnership](#) with California to help facilitate innovative projects and financing opportunities for multi-billion infrastructure improvements. The agreement intends to facilitate the movement of imports and exports, upgrade supply chain processes, and “create resilience throughout the critical trade corridors of California and the US, including around San Pedro Bay and the Inland Empire.” Projects that could receive support through this agreement, according to Governor Newsom's announcement, include:
 - Port-specific upgrades;
 - Expanding capacity for freight rail;
 - Developing inland port facilities for increased warehouse storage;
 - Railyard and truck electrification;
 - Highway upgrades to improve truck travel times;

- Grade-separated crossings to reduce the number of rail-street intersections and improve safety and efficiency; and,
- Land ports of entry to expand trade capacity and cross-border commerce.
- **November 10, 2021** – The California Department of Motor Vehicles [announces](#) it will be doubling its capacity to conduct commercial driving licenses to address the national commercial truck driver shortage and support the efficient movement of goods between California’s largest ports and major distribution centers.
- **November 17, 2021** – Governor Newsom toured the Ports of Los Angeles and Long Beach and [announced](#) that Caltrans would begin issuing temporary permits to allow trucks to carry overweight loads of up to 88,000 on state highways and interstate routes between the Ports of Long Beach and Los Angeles, other ports, and key distribution centers. Other participants in the tour included Port Envoy to the Biden-Harris Administration Supply Chain Disruptions Task Force John D. Porcari, ILWU International President Willie Adams, port leadership, local legislators, and elected officials.

As the state’s lead on economic development activities, GO-Biz Director and the Governor’s Senior Economic Advisor, Dee Dee Myers, played a pivotal role in the state’s supply chain mitigation activities. She participated in the federal Supply Chain Disruptions Task Force and represented California in other national, state, and regional meetings.

AJR 30 expresses the Legislature’s support for the Ocean Shipping Reform Act to alleviate and remedy the congestion of California’s ports and to ensure that the state’s importing and exporting capabilities return to pre-pandemic levels.

- 3) **California Goods Movement Investments:** Additional funding has been provided through the 2021-22 budget, with \$250 million awarded for ports, \$280 million for infrastructure projects in and around the Port of Long Beach, and \$1.3 billion over three years for zero-emission trucks and buses, including funding for more than 1,000 zero-emission port drayage trucks. Governor Newsom proposed an additional \$2.3 billion for supply chain investments in his 2022-23 January budget. According to the Governor’s Budget Summary, these funds will address congestion and bottlenecks across the West Coast. The proposed supply chain investments in the January release of the 2022-23 budget include:
- **Port Infrastructure and Goods Movement:** \$1.2 billion for port-related high-priority projects that increase goods movement capacity on rail and roadways serving ports and at port terminals, including railyard expansions, new bridges, and zero-emission modernization projects.
 - **Zero-Emission Equipment and Infrastructure:** \$875 million for zero-emission port equipment, short-haul (drayage) trucks, and infrastructure.
 - **Workforce Training:** \$110 million for a training campus to support workforce resilience in the face of supply chain disruption and accelerate the deployment of zero-emission equipment and technologies.
 - **Commercial Driver’s Licenses:** \$40 million to enhance California’s capacity to issue Commercial Driver’s Licenses.
 - **Operational and Process Improvements:** \$30 million for the GO-Biz to provide funding for operational and process improvements at the ports. This could include enhancing the movement of

goods and improving data interconnectivity between the ports to enable efficient cargo movement, reduce congestion, and create opportunities to increase cargo volume by promoting and building supply chain efficiency.

- **Supply Chain Policy Unit:** \$1.15 million ongoing and three positions to the California Transportation Agency to establish a freight policy team to oversee and coordinate freight policy across the state, including freight transportation research projects.

In the May Revise, the Governor proposed additional actions to address rising fuels prices and utility bills:

- **Energy Mitigation:** \$9.5 billion from various fund sources over four years, which brings the total proposed funding for climate actions to \$32 billion, including climate solutions and support energy reliability.
- **Inflation Relief:** \$18.1 billion in direct payments to help address inflation, help people pay their utility bills and rent, and reduce costs like health care and child care.

The LAO has completed an analysis of the Governor’s budget proposals on [supply chain](#) and the \$4.1 billion [Transportation Infrastructure Package](#), which provide additional details on his strategy for integrating state and federal funds to meet important California needs. This includes: \$3.4 billion that was agreed to in concept in the 2021-22 budget package but reverted to the General Fund when subsequent legislation was not enacted; and \$1.5 billion that would be allocated between programs from last year’s package and a new set of proposed programs.

- 4) **Supply Chain Information Highway:** On May 24, 2022, the Port of Long Beach announced the launch of its “Supply Chain Information Highway” to enhance supply chain efficiency and “put an end to stagnated goods movement in the region.”

The Supply Chain Information Highway is a new digital infrastructure initiative that provides cargo companies with a streamlined hub to aggregate and manage data across industries. According to the announcement, “the new system will allow supply chain stakeholders to obtain actionable insights to help with planning, scheduling, and improving their systems.”

- 5) **Longer-Term Assistance:** SB 1104 proposes to address immediate and longer-term state needs. In addition to the most current supply chain disruptions, the Office of Freight will assist GO-Biz in representing the needs of business as the state moves forward on a range of goods movement strategies, including:
 - Implementation of the [California Freight Mobility Plan](#), which provides for governance of the immediate and long-range planning activities and capital investments of the state with respect to the movement of freight. The plan is prepared by the California Transportation Agency and the Department of Transportation in consultation with the California Freight Advisory Committee.
 - Implementation of the *California Sustainable Freight Action Plan*, prepared pursuant to [Executive Order No. B-32-15](#), which directed the Secretary of Transportation, the Secretary for Environmental Protection, and the Secretary of the Natural Resources Agency to lead other relevant state departments (including GO-Biz) in developing an integrated action plan that “establishes clear targets to improve freight efficiency, transition to zero-emission technologies, and increase competitiveness of California’s freight system.”

While the [California Sustainable Freight Action Plan](#) was intended to provide an integrated set of goals and actions to collectively improve freight efficiency, transition freight movement to zero-emission technologies, and increase the competitiveness of California's freight system, when published it failed to meet this goal. Instead, the action plan primarily focused just one of the three plan purposes and only identified state policies, programs, and investments to help achieve the zero-emission targets. Since its publication in 2016, GO-Biz has worked with stakeholders to address the economic and social components of meeting the other two plan goals. SB 1104 would help advance this important work.

- 6) **The Governor's Office of Business and Economic Development:** In April 2010, the Governor's Office of Economic Development was established to provide a one-stop-shop for serving the needs of businesses and economic developers. While initially established through Executive Order S-01-10, the office was later codified and renamed GO-Biz. [AB 29 (*John A. Pérez*), *Chapter 475, Statutes of 2010*]

GO-Biz carries out its mission through multiple functional areas, including but not limited to the following units: California Business Investment Unit, Zero Emission Vehicles, the Office of Permit Assistance, the Office of the Small Business Advocate, International Affairs and Trade, the California Competes Tax Credit Program, the Community and Local Equity Grants Unit, and the Community-Based Solutions Unit. GO-Biz provides a range of programs and services that support business development, including assisting small businesses in understanding and complying with state regulations, permitting assistance for new and expanding businesses, and assisting the state in building out its zero-emission vehicle infrastructure.

In 2021, GO-Biz published and has since updated the [California Business Come Back Guide](#) to assist businesses in identifying relevant new and existing state funding resources for recovery and success. State resources are listed by agency, as well as by program. A particularly useful chart within the guide includes information on total funds, maximum awards, eligibility, timing, and contact information.

GO-Biz has historically used a service delivery model that flows across and through different GO-Biz units, depending on the business' needs. For example, a foreign company planning to expand in California may initially become acquainted with GO-Biz through an in-bound trade mission hosted by the International Trade and Investment Office but may ultimately be further assisted by the California Business Investment Program and the Office of Permit Assistance.

As noted earlier in the analysis, GO-Biz is designated as the state's lead on international issues, excluding agriculture. In this role, GO-Biz is required to prepare a five-year international trade and investment strategy that sets the policy goals, objectives, and recommendations necessary to implement a comprehensive international trade and investment program for the state. This includes identifying an ongoing process to evaluate current workforce, infrastructure, and other needs of trade-related needs including, but not limited to, highways, logistic hubs, and rail that link businesses with the state's ports of entry and foreign and domestic markets. [AB 1561 (*Quirk-Silva*), *Chapter 313, Statutes of 2018*]

One of the goals for the 2019 to 2024 Strategy is to "support continued growth of California's role as a gateway state for goods movement." To accomplish this goal, GO-Biz sets the following operational objective: *Work with international trade infrastructure partners to serve California*

companies effectively and efficiently. Support the implementation of the state-approved California Sustainable Freight Action Plan. SB 1104 is consistent with this goal and objective.

- 7) **California Economy:** California is home to nearly 40 million people, providing the state with one of the most diverse populations in the world, often comprising the single largest concentration of nationals outside their native country. In 2021, this diverse group of business owners and workers produced \$3.3 trillion in goods and services, many of which include parts from or exported to over 220 countries around the world and across the US.

California's economy ranked fifth largest globally – only the national economies of the United States, China, Japan, and Germany being larger. Historically, a number of factors have contributed to California's significant position within the global marketplace, including its strategic west coast location, the size of its consumer base, the strength of its dominant industry sectors, its economically diverse regional economies, its skilled workforce, and its culture of innovation and entrepreneurship, particularly in the area of technology.

Many policymakers and economists describe California as having not a single economy but having a highly integrated network of a dozen or so regional economies. While biotech has a comparative advantage in some regions, information technology drives growth in others. Another distinguishing characteristic of California's economy is its multiple dominant industry sectors. The state's three largest industry sectors in terms of GDP – finance and insurance; trade, transportation, and utilities; and professional and business services – also provide a foundation to other industry sectors, including manufacturing and information. Further, each of these top-performing industry sectors are also distinguished as being a tradable industry sector, meaning that it is a sector whose output in terms of goods and services is traded internationally or could be traded internationally given a plausible variation in relative prices. In many cases, California's fourth and fifth largest industry sectors rank as the largest of those industry sectors in the US.

In 2021, California's largest industry sectors were: Finance, Insurance, Real Estate, Rental, and Leasing (18.6% of state GDP); Trade, Transportation, and Utilities (14.8%); Professional and Business Services (14.0%); Manufacturing (12.3%); and Information (10.9%). Tourism and Arts, which were heavily impacted by the COVID-19 pandemic, dropped from contributing 4.5% of GDP in 2019 to 3.8% in 2021. **Chart 1** provides additional data on 2021 GDP by industry sector. The percentage of 2021 GDP attributable to private goods producing sectors was 19.9%, as compared to private service sectors.

Chart 1 - 2021 California GDP by Industry		
Description	2021 GDP (millions of current dollars)	Percent of GDP
All Industry Total	3,356,631.4	100%
Resource and Extraction	\$54,435.7	1.3%
Other Services	\$55,732.2	1.6%
Arts, Entertainment, Recreation, Accommodation, and Food Services	\$128,430.3	3.8%
Construction	\$129,384.4	3.8%
Educational Services, Health Care, and Social Assistance	\$245,057.0	7.3%
Government and Government Enterprises	\$363,812.4	10.8%
Information	\$368,295.9	10.9%
Manufacturing	\$413,470.3	12.3%

Professional and Business Services	\$472,090.2	14.0%
Trade, Transportation, and Utilities	\$499,818.0	14.8%
Finance, Insurance, Real Estate, Rental, and Leasing	\$626,105.1	18.6%
Source: Bureau of Economic Analysis www.bea.gov		

The strength of the economic diversity is one of the reasons California is recovering so quickly from the economic downturn and loss of jobs related to the COVID-19 pandemic. As an example, California has regained 2.2 million, or over 90% of the 2.7 million jobs that were lost in March and April 2020.

The California recovery has, however, been very unequal with many areas of the state and industry sectors still in distress. COVID-19 served to increase income disparities with lower-wage workers and small businesses being most impacted by business closures, including workers and businesses owned by people of color, as well as women. One estimate that over 19,000 businesses in California permanently closed their doors during the pandemic.

Chart 2 – California Employment by Industry Sectors shows employment data within the same industry sectors as measured in *Chart 2*, as well as annualized data for 2021. In 2021 (comparable to GDP), the Trade, Transportation, and Utilities sector represented the industry with the largest number of employees in California, followed by jobs in Education and Health Services.

Chart 2 - California Employment by Industry Sectors		
Description	2020	2021
Civilian Labor Force	18,931,100	18,923,200
Civilian Employment	16,996,700	17,541,900
Civilian Unemployment	1,934,500	1,381,200
Civilian Unemployment Rate	10.2%	7.3%
Total, All Industries	16,594,400	17,115,600
Mining and Logging	20,000	19,000
Other Services	477,400	500,700
Information	535,900	566,500
Financial, Insurance, and Real Estate	817,500	823,100
Construction	856,400	880,300
Manufacturing	1,264,400	1,273,200
Leisure & Hospitality	1,483,900	1,632,600
Government	2,493,300	2,469,200
Professional & Business Services	2,600,600	2,702,700
Educational & Health Services	2,736,700	2,809,100
Trade, Transportation & Utilities	2,901,900	3,031,700
Source: California Employment Development Department https://www.labormarketinfo.edd.ca.gov		

- 8) **California's Trade Dominated Global Economy:** International trade and foreign investment are important components of California's \$3.3 trillion economy, supporting nearly 5 million California jobs. The importance of trade to the state economy increased as a growing number of California businesses accessed new global markets. In the last three decades, the percentage of California jobs tied to trade more than tripled, moving from 10.6% in 1992 to nearly 30.3% in 2020.

In 2020, the state's diverse group of business owners and workers produced and/or exported \$155.8 billion in goods, representing 10.9% of total U.S. exports, and imported \$396 billion, representing

16.9% of total US imports. In 2021, California exported \$175.1 billion in goods, representing 9.9% of all US exports.

Many of the jobs associated with these major industry sectors are also associated with high wages. Research by the U.S. International Trade Commission undertaken in 2010 and updated in 2015 found a significant earnings premium in jobs within export-intensive manufacturing industries – a 19% premium for blue-collar workers and a 9.9% premium for white-collar workers.

Manufacturing has many economic advantages and is often considered the “gold standard” for jobs because of its high wages, the inclusion of small businesses within its global supply chains, and having a high multiplier effect on related jobs. The Milken Institute estimates that for every job created in manufacturing, 2.5 jobs are created in other sectors. In some industry sectors, such as electronic computer manufacturing, the multiplier effect is 16:1.

As noted earlier in the analysis, California’s largest industry sector by employment is Trade, Transportation, and Utilities, which encompasses everything from major retail outlets, to import-export businesses, to transportation and warehousing. These industry sectors support the flow of goods across the US, as well as globally. For their part, California manufacturers have reaped the short-term benefits of global supply chains and just-in-time delivery models.

Advances in transportation and communication technologies encourage development of previously undeveloped markets and expand multinational business opportunities for California firms. With more than 95% of consumers located **outside** the US and emerging economies experiencing a growing middle class, accessing global markets has been key to California’s continued economic growth. Manufacturers have also reaped benefits from global supply chains and just-in-time delivery models. Today, four of California’s top five exports include component parts, which leave the state to be combined and assembled into final products in foreign countries.

Chart 3 shows data on the export of goods to the state’s top six trade partners, based on the origin of movement. *[Please note that federal reporting separates data from China and Hong Kong.]* California’s largest export market in 2021 was Mexico, which received over \$27.3 billion in California products. Top-ranking export destinations not shown on the chart include Germany, the Netherlands, and the United Kingdom.

Chart 3 - California Exports of Goods 2013-2021 (billions of dollars)										
	Partner	2013	2014	2015	2016	2017	2018	2019	2020	2021
	World	\$168.1	\$173.8	\$165.3	\$163.2	\$171.9	\$178.1	\$173.7	\$155.8	\$175.1
1	Mexico	\$23.9	\$25.4	\$26.7	\$25.2	\$26.7	\$30.7	\$27.8	\$24.0	\$27.3
2	Canada	\$18.8	\$18.3	\$17.2	\$16.2	\$16.8	\$17.6	\$16.6	\$16.0	\$17.8
3	China	\$16.2	\$16.0	\$14.3	\$14.3	\$16.4	\$16.3	\$15.8	\$15.0	\$16.7
4	Japan	\$12.7	\$12.2	\$11.7	\$11.7	\$12.8	\$13.0	\$11.8	\$10.5	\$11.8
5	South Korea	\$8.3	\$8.6	\$8.6	\$8.2	\$9.5	\$9.9	\$9.1	\$9.7	\$11.6
6	Taiwan	\$7.5	\$7.4	\$7.7	\$6.9	\$6.3	\$6.8	\$7.2	\$7.3	\$8.9

Source: International Trade Administration, accessed 3/26/22

Many of California’s top exports are parts and components. Research shows that California businesses participate in large expanded global supply chains, with components leaving and arriving in the state assembled and/or partially assembled before becoming available for retail and wholesale distribution. California’s **top seven exports** in 2020 were: computer and electronic products (\$37.5

billion); transportation equipment (\$17.3 billion); machinery, except electrical (\$16.8 billion); chemicals (\$14.3 billion), agricultural products (\$13.3 billion); miscellaneous manufactured commodities (\$11.0 billion); and food manufactures (\$9.7 billion).

Imports into California were valued at \$395.8 billion in 2020, representing 16.9% of total US imports and ranking the state as one of the top 20 largest importers in the world. China (including Hong Kong) is the **largest source** of imports to California, valued at 130.6 billion in 2020. Chinese imports totaled \$130.1 billion, followed by Mexico (\$47.8 billion), South Korea (\$21.1 billion); and Canada (\$26.5 billion).

The **largest amount of products imported** in 2020 by dollar: computer and electronic products (\$113.0 billion); transportation equipment (\$55.9 billion); miscellaneous manufactured commodities (\$24.0 billion); electrical equipment, appliances and components (\$26.7 billion); and machinery, except electrical (\$19.7 billion); oil and gas (\$10.8 billion); and apparel manufacturing products (\$16.9 billion).

- 9) **Amendments and Double Referral:** The Assembly Committee on Rules referred SB 1104 to the Assembly Committee on Jobs, Economic Development, and the Economy and to the Assembly Committee on Transportation. Should this measure pass the committee, it will be referred to Assembly Committee on Transportation for further policy consideration. Due to pending legislative deadlines, the JEDE Committee is not able to adopt amendments without jeopardizing the ability of the second policy committee to hear the bill.

While not being adopted in JEDE, the Committee should be aware that the author is being asked to amend SB 1104 to address concerns from the International Longshore and Warehouse Union (ILWU). The ILWU amendments would limit the scope of the assessment of competitiveness of the state's freight sector, as it pertains to workforce needs and the potential interference with any collective bargaining agreement. The author has not agreed to these amendments. Committee staff are simply disclosing stakeholder requests which were made while SB 1104 was pending in JEDE.

- 10) **Related Legislation:** Below is a list of bills from the current and prior sessions.

- a) Below is a list of bill relating to supply chain issues, including port congestion, from the current legislative session.
 - i) ***AB 1678 (V. Fong) Blue Ribbon Commission:*** This bill, an urgency measure, requires the Department of Food and Agriculture to establish and convene the Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies. Status: Held on the Suspense File of the Assembly Appropriations Committee, 2022.
 - ii) ***AB 1678 (Fong) Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies:*** would require the Department of Food and Agriculture to establish and convene a Blue Ribbon Commission on Port Congestion and Supply Chain Deficiencies, with the Secretary to serve as the chair and to appoint the other members of the commission. This bill would require the commission to recommend changes needed in the immediate and long-term future to mitigate the negative impacts of port congestion and supply chain deficiencies on agricultural commodities. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2022.

- iii) **AB 1679 (Fong) Supply Chain Coordinator:** This bill establishes the position of the Supply Chain Coordinator within the California Business Investment Services Program at GO-Biz. Status: Held on the Suspense File in the Assembly Committee on Appropriations, 2022.
 - iv) **ACR 140 (O'Donnell) Freight Transport and Supply Chain:** This bill memorializes the Legislature's declaration that the state is currently suffering a supply chain crisis and therefore urges the state's public agencies, departments, and local governments to provide all due and proper assistance to carriers, cargo owners, public seaports, terminals, workers, and facilities to facilitate the essential service of delivering goods to Californians. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - v) **AJR 29 (Mathis) Ocean Shipping Reform Act:** This bill memorializes the Legislature's support for the Ocean Shipping Reform Act to alleviate and remedy the congestion of California's ports and to ensure that the state's importing and exporting capabilities are returned to pre-pandemic levels. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - vi) **AJR 30 (Gipson) Freight Transportation Federal Funds:** This bill memorializes the Legislature's request to the US Congress to pass legislation and the US President to sign into law a statute providing for a fair allocation of federal transportation funding for freight projects in California, specifically, and on the Pacific Coast of the US, generally, based on the volume of containerized freight moved. The Legislature further calls on the US Department of Transportation and all federal agencies implementing any federal statute or regulation related to federal funding for ports or multimodal freight transportation to similarly provide a fair allocation of in California and other states on the Pacific Coast of the US. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - vii) **SB 1104 (Gonzales) GO-Biz Office of Freight:** This bill establishes the Office of Freight within GO-Biz to serve as the coordinating entity to steer the growth, competitiveness, and sustainability of freight and ports across the state and to promote and assess the continued economic vitality and sustainability of the freight sector. The bill also requires GO-Biz, in coordination with specified state agencies, to prepare an assessment of statewide economic growth, competitiveness, prosperity, resiliency, and sustainability for the state's ports and freight sector. Status: Pending in the Assembly Committee on Jobs, Economic Development, and the Economy.
 - viii) **SB 671 (Gonzalez) Clean Freight Corridor Efficiency Assessment:** This bill requires California Transportation Commission, in coordination with other state agencies, to develop a Clean Freight Corridor Efficiency Assessment and incorporate the recommendations into their respective programs for freight infrastructure. Also codifies existing CTC guidelines for eligible projects for the Trade Corridor Enhancement Program. Status: Signed by the Governor, Chapter 769, Statutes of 2021.
- a) Below is a list of bills from prior sessions relating to port infrastructure and transitioning to zero emissions.
- i) **AB 886 (Allen and Ian Calderon) Importer-Exporter Tax Credit:** This bill would have authorized a five-year \$500 million tax credit program for importers and exporters that increase cargo through in-state airports and seaports, hire additional staff, or incur capital costs at a California cargo facility. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2013.

- ii) **AB 696 (Cervantes) Lower Carbon Economy Transition:** This bill requires the Labor and Workforce Development Agency and the California Workforce Development Board (CWDB) to oversee a stakeholder process to support the development of findings and recommendations on ways to mitigate the employment impacts of automation and the transition to low- or zero-emission operations at the Los Angeles and Long Beach ports. The bill also requires the CWDB to make a presentation to the Joint Legislative Committee on Climate Change on activities and investments being undertaken to implement recommendations from the AB 398 report. Status: Signed by the Governor, Chapter 116, Statutes of 2020.
- iii) **AB 962 (Allen and Quirk-Silva) Port Infrastructure Financing:** This bill would have established a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that result in the reduction of mobile source emissions. This valuation would be used to establish the amount of a future state appropriation, the repayment of which occurs through the payment of state taxes and fees. Status: Held in the Assembly Committee on Appropriations, 2018.
- iv) **AB 1561 (Quirk-Silva) Logistical Hubs and Inland Ports:** This bill expands and updates the mandatory elements of the state's international trade and investment strategy to include the role of logistical hubs and inland ports and streamline reporting requirements. The bill also authorizes the California Infrastructure and Economic Development Bank to finance inland port facilities. Status: Signed by the Governor, Chapter 313, Statutes of 2018.
- v) **AB 2841 (Allen) Port Infrastructure Finance:** This bill would have established a process by which a harbor agency can monetize the future financial value of installing and operating a port using technology and processes that reduce mobile source emissions. This valuation would be used to establish the amount of a future state appropriation, the repayment of which occurs through the payment of state taxes and fees. Status: Held on the Suspense File of the Assembly Committee on Appropriations, 2016.
- vi) **SB 63 (Hall) Seaport Infrastructure Districts:** This bill authorizes cities and counties to establish Seaport Infrastructure Financing Districts and allows these districts to finance certain port or harbor facilities, as specified. Status: Signed by the Governor, Chapter 793, Statutes of 2015.
- vii) **SB 308 (Seymour) Infrastructure Financing Districts:** This bill authorizes cities and counties to create infrastructure financing districts (IFDs) and issue bonds to pay for community-scale public works: highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. To repay the bonds, IFDs can divert property tax increment revenues, which are revenues generated from increases in property values within the IFD above property values in the base year when the IFD was formed. However, IFDs cannot divert property tax increment revenues from schools. Status: Signed by the Governor, Chapter 1575, Statutes of 1990.
- viii) **SB 628 (Beall) Enhanced Infrastructure Financing Districts:** This bill authorizes local officials to create Enhanced Infrastructure Financing Districts (EIFDs), which augment the tax increment financing powers that are available to local government under the IFD statutes. City or county officials can create an EIFD, governed by a public finance authority, to finance public capital facilities or other specified projects of communitywide significance that provide significant benefits to the district or the surrounding community. Status: Signed by the Governor, Chapter 785, Statutes of 2014.

Support

California Association of Port Authorities
California Builders Alliance
California Business Roundtable
California Retailers Association
California Trucking Association
Pacific Merchant Shipping Association
Sacramento Regional Builders Exchange (SRBX)
Stockton; Port of

Opposition

None on file

Analysis Prepared by: Toni Symonds / J., E.D., & E. / (916) 319-2090